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SECURITIES AND EXCHANGE COMMISSION  
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## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/12 AND ENDING 12/31/12 \*  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Tower Brook Financial, LP

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Park Avenue Tower, 65 East 55<sup>th</sup> Street, 27<sup>th</sup> Floor  
(No. and Street)New York

(City)

NY

(State)

10022

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jennifer Glassman212-699-2262  
(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

300 Madison Avenue

(Address)

New York

(City)

NY

(State)

10017

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

## FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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# **TowerBrook Financial, L.P.**

**Statement of Financial Condition**

**December 31, 2012**

**(Available for Public Inspection)**



SEC  
Mail Processing  
Section

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# **TowerBrook Financial, L.P.**

**Statement of Financial Condition**

**December 31, 2012**

**(Available for Public Inspection)**

**TowerBrook Financial, L.P.**  
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**December 31, 2012**

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## **Independent Auditor's Report**

To the Board of Partners of  
TowerBrook Financial, L.P.:

We have audited the accompanying financial statement of TowerBrook Financial, L.P. , which is comprised of the Statement of Financial Condition as of December 31, 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of TowerBrook Financial, L.P. at December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 28, 2013

**TowerBrook Financial, L.P.**  
**Statement of Financial Condition**  
**December 31, 2012**

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**Assets**

Cash	\$	166,840
Receivable from affiliate, net		638,225
Prepaid expenses and other assets		<u>52,538</u>
Total assets	\$	<u>857,603</u>

**Liabilities and Partners' Capital**

Liabilities

Accounts payable and accrued expenses	\$	131,431
Other payables		<u>641</u>
Total liabilities		132,072

Commitments and contingencies (Note 5)

Partners' Capital		<u>725,531</u>
Total liabilities & partners' capital	\$	<u>857,603</u>

The accompanying notes are an integral part of this financial statement.

**TowerBrook Financial, L.P.**  
**Notes to Financial Statement**  
**December 31, 2012**

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**1. Organization and Nature of Business**

TowerBrook Financial, L.P. (the "Partnership"), a Delaware limited partnership, was formed on May 19, 2011. The Partnership is owned 99% by TowerBrook Financial LP, LLC and 1% by the general partner, TowerBrook Financial GP, LLC (the "General Partner"), each of which are owned 100% by TowerBrook Capital Partners L.P. ("TCP"). The Partnership became registered as a broker dealer with the Securities and Exchange Commission ("SEC") on February 17, 2012 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). The Partnership does not carry customer securities accounts for customers or perform custodial services and, accordingly, claims exemptions from Rule 15c3-3 of the Securities Exchange Act of 1934 under Section (k)(2)(i).

The Partnership operates in the United Kingdom ("UK") through its London branch, and is also an appointed representative for an affiliate, TowerBrook Capital Partners (U.K.) LLP ("SubAdvisor") for the purposes of the UK Financial Services and Markets Act 2000. The SubAdvisor is authorized and regulated by the UK Financial Services Authority ("FSA"). The Partnership and the SubAdvisor are under common control.

The Partnership provides private placement marketing services and advice to TCP, the manager of affiliated private equity funds (the "Affiliated Funds"). The Affiliated Funds are managed or advised by TCP or its investment advisory affiliates.

**2. Significant Accounting Policies**

**Basis of Presentation**

This financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The following is a summary of significant accounting policies used in preparing the financial statement:

**Use of Estimates**

The preparation of the financial statement in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from management's estimates and these differences could be material.

**Revenue and Expense Recognition**

The Partnership earns revenue based on a services agreement with TCP (Note 4). All revenues are billed and collected by the Partnership. This revenue is recognized on the accrual basis of accounting consistent with the authoritative guidance on revenue recognition. Expenses are accrued for as incurred.

**Cash**

The Partnership maintains a cash account consisting of cash with one major financial institution, which at times may exceed the Federal Depository Insurance Corporation ("FDIC") insurable limit.

**Foreign Currency and Exchange**

As a result of having transactions denominated in foreign currencies, the Partnership is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar. Transactions denominated in foreign currencies are translated into U.S. dollar amounts at actual exchange rates on the date of

**TowerBrook Financial, L.P.**  
**Notes to Financial Statement**  
**December 31, 2012**

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the transaction. Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the closing rate of exchange at the reporting date.

**Functional Currency**

The financial statement is presented in U.S. Dollars, which is the functional currency of the Partnership.

**Income Taxes**

The Partnership is treated as a "disregarded entity" for UK, and US federal and state tax purposes to the extent permitted by law. Therefore, the Partnership has made no provision for UK, and US federal or state income taxes. However, the Partnership is part of a consolidated group that is subject to New York City Unincorporated Business Tax ("NYC UBT") of 4% attributable to the Partnership's operations apportioned to New York City. The Company's NYC UBT expense is settled on a net basis with its indirect parent, TCP, along with other items and is included in receivable from affiliate, net, on the statement of financial condition.

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statement, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statement for the changes in deferred tax liabilities or assets between years. At December 31, 2012, the Partnership had no deferred tax assets or liabilities.

The Partnership accrues all interest and penalties under the relevant tax law as incurred. There were no interest and penalties recognized in the statement of financial condition as of December 31, 2012.

The Partnership follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires management to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation by the applicable taxing authority, based on the technical merits of the position according to the authoritative guidance for uncertainty in income taxes. The tax benefits to be recognized are measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement which could result in the Partnership recording a tax liability that would reduce partners' capital. As of December 31, 2012, the Partnership had no unrecognized tax benefits recorded in the financial statement. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdiction, as part of the consolidated group. As of December 31, 2012, TCP's, the tax years of Partnership's indirect parent, that remain subject to examination by the major tax jurisdictions under the statute of limitations to which the Partnership is subject are from the year ended December 31, 2011 forward.

**3. Regulatory Requirements**

The Partnership is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1) which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 12.5% of aggregate indebtedness during the twelve months after approval as a broker-dealer by the SEC. At December 31, 2012, the Partnership had net capital of \$34,768, which was \$18,259 in excess of the required amount of \$16,509.

SEC Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital shall not exceed 10 to 1 during the first year. The Partnership's net capital ratio at December 31, 2012 was 3.8 to 1.



**TowerBrook Financial, L.P.**  
**Notes to Financial Statement**  
**December 31, 2012**

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The Partnership does not hold customer funds or securities, nor does it carry customer accounts and it has claimed an exemption from SEC Rule 15c3-3 under Section (k)(2)(i).

**4. Related Party Transactions**

**Services Agreement with TCP**

The Partnership entered into an agreement with TCP, effective February 17, 2012 (the "Services Agreement"), under which the Partnership agreed to provide certain private placement services to TCP. In exchange for these services, TCP has agreed to pay the Partnership a fee which will be agreed from time to time between the Partnership and TCP (the "Broker Dealer Services Fees").

**UK Administrative Services Agreement with the SubAdvisor**

The Partnership entered into a services agreement with the SubAdvisor, effective February 17, 2012 (the "UK Services Agreement"), under which the SubAdvisor agreed to provide services to the Partnership. In exchange for these services, the Partnership has agreed to pay the SubAdvisor a British Pound denominated services fee which will be agreed from time to time between the Partnership and the SubAdvisor (the "UK Administrative Services Fees").

**Appointed Representative Agreement with the SubAdvisor**

The Partnership entered into an agreement with the SubAdvisor, effective February 21, 2012 (the "Appointed Representative Agreement"), under which the SubAdvisor appointed the Partnership as its appointed representative for the purposes of section 39 of the UK Financial Services and Markets Act 2000. In exchange for these services, the Partnership has agreed to pay the SubAdvisor a British Pound denominated monthly fee of £100 (the "Appointed Representative Services Fees").

**Expense Sharing Agreement with TCP and the SubAdvisor**

The Partnership entered into an expense sharing management agreement with TCP and the SubAdvisor, effective February 17, 2012 (the "Expense Sharing Agreement"), under which TCP and the SubAdvisor provide the Partnership with facilities and other services as required in the normal conduct of the Partnership's business.

A portion of the salaries and other compensation of the employees who work directly on activities for the Partnership has been charged pursuant to the Expense Sharing Agreement.

**Receivable from Affiliate**

For the year ended December 31, 2012, the net due from TCP to the Partnership was \$638,225 and is included in receivable from affiliate, net, on the statement of financial condition. This represents the outstanding amount of the Broker Dealer Services Fees in excess of the allocation of compensation and other expenses paid on the Partnership's behalf.

**Insurance Coverage**

Upon the recommendation of an unrelated, independent insurance broker, and as part of an annual review of all insurance policies prior to renewal, TowerBrook Capital Partners LLC, the general partner of TCP, has contracted with Ironshore Indemnity, Inc., a subsidiary of Ironshore Inc. to provide Investment Fund Management and Professional Liability and Employment Practices Liability insurance. Ironshore Inc. is a portfolio company of TowerBrook Investors II, L.P., an affiliated entity. The insurance coverage provided by Ironshore Indemnity, Inc. is an "excess layer" that has a \$10 million limit of liability and sits behind \$20 million of coverage from two unrelated insurance carriers. The policy period runs from April 5, 2012 to April 5, 2013 and has a premium of \$87,450. The premium was paid by TCP.

**TowerBrook Financial, L.P.**  
**Notes to Financial Statement**  
**December 31, 2012**

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**5. Commitments and Contingencies**

In the normal course of business the Partnership enters into contracts that contain a variety of representations and warranties and which may provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, the Partnership expects the risk of loss to be remote.

The Partnership entered into an operating sublease with TCP for its office space in New York, effective February 17, 2012. TCP's lease for such office space commenced on October 1, 2009 and expires on February 28, 2021. The Partnership's annual future rental payments under the sublease as of December 31, 2012 are:

Year Ended December 31,	
2013	\$ 16,304
2014	16,304
2015	16,304
2016	16,304
2017	16,304
Thereafter	51,629
	<u>\$ 133,149</u>

**6. Risks**

The Partnership is subject to a variety of business risks in the conduct of its operations. The Partnership is economically dependent on its related parties and affiliates as the source of its fee income and, accordingly, the Partnership may be materially affected by the actions of and various risks associated with such related parties and affiliates. The Partnership is subject to regulation and may be adversely affected by further regulation by U.S. and non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets.

**7. Subsequent Events**

The Partnership has evaluated whether events or transactions that have occurred after December 31, 2012 that would require recognition or disclosure in this financial statement and determined that there are no such items requiring disclosure.



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